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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-157356

FEB 8 1974

The Honorable James O. Eastland
United States Senate

Dear Senator Eastland:

As requested in your June 2, 1973, letter we reviewed certain aspects of the Head Start program operated by the Community Education Extension of Mary Holmes College, Jackson, Mississippi. The program was funded by a grant under title II of the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2781).

Our review concentrated on the program concerns expressed in Governor William L. Waller's May 28, 1973, letter to you--costs for personnel, travel, consumable supplies, and consultant fees and the areas of medical and dental screening and treatment, child eligibility, and child attendance.

We identified a possible violation of 18 U.S.C. 1001 relating to falsification of volunteer time records by employees and volunteers of five Head Start centers. The Extension program personnel also needed to more effectively implement internal controls to insure proper use of personnel, travel, consumable supplies, and medical and dental screening and treatment resources. We found no significant irregularities in consultant fees, child eligibility, or child attendance.

FALSIFICATION OF VOLUNTEER TIME RECORDS

The terms and conditions of the Head Start grant to the Extension require it to provide 9 percent of the total program cost in cash or through in-kind contributions. The non-Federal share claimed by the college consisted of in-kind contributions of time by volunteers who assisted in the local Head Start centers. Biweekly volunteer time reports were prepared at the centers to show the daily time contributions. The reports, signed by the volunteers and their supervisors, contained a notice that furnishing false information might be punishable by fine or imprisonment or both under 18 U.S.C. 1001.

We tested the validity of volunteer time reported for the week ended September 28, 1973, at 6 centers in 6 of the 14 counties served by the program and noted several instances when false information was reported, resulting in an overstatement of contributed time. Through interviews with the volunteers and their supervisors, we determined that the time reported by five of the six centers was overstated by at least 24 percent.

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In accordance with our policy and as agreed with your office, we referred this matter to the Federal Bureau of Investigation in Jackson on October 18, 1973. By letter dated October 25, 1973, the Bureau advised us that the U.S. Attorney's Office in Jackson declined to pursue the case because of lack of criminal intent and financial gain by the volunteers. The Bureau said that it does not plan to investigate this matter further.

PROCEDURAL WEAKNESSES

Although the grantee's internal control procedures were generally adequate to provide reasonable assurance that program resources were properly used for personnel, travel, consumable supplies, and medical and dental screening and treatment, the Head Start centers needed to more effectively implement these procedures. Specifically, we identified several instances of (1) sick leave granted for unauthorized purposes, (2) transportation costs inadequately documented (mileage and number of children transported were not documented), and (3) children eligible for Medicaid benefits receiving examinations and treatment paid for from Head Start funds.

As your office requested, we orally presented our findings to officials of the Department of Health, Education, and Welfare's Atlanta regional office on October 18, 1973, and to the Director of the State Office of Economic Opportunity and Office of Human Resources for Mississippi on November 5, 1973.

AGENCY ACTIONS

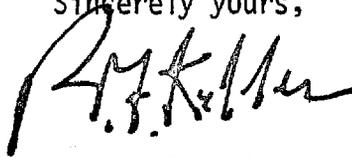
On the basis of information provided in our briefing and other data, the Department's assistant regional director, Atlanta regional office, notified the President of Mary Holmes College by letter dated November 9, 1973, that he was disallowing a portion of the non-Federal share claimed and was reducing the current grant by \$330,367. In addition, he directed the grantee to submit evidence to his office by the close of business on January 7, 1974, that action has been taken to insure that:

- "1. The method used to record volunteer time is satisfactory to provide accurate and true data.
- "2. Satisfactory time and attendance record-keeping procedures have been instituted in all areas.
- "3. An adequate contractual system has been drawn up between the agency and each driver to include mileage and the number of children to be transported by each driver.
- "4. Procedures exist at each center for verification of the number of children transported by each driver.

- "5. All drivers are transporting children safely and not exceeding the vehicular capacity.
- "6. The agency is complying with the special condition attached to the grant award--that medical funds are not to be expended for children who are eligible to receive Medicaid under Title XIX of the Social Security Act."

cc We trust that this information is satisfactory. As your office agreed, we are also sending a copy of this report today to Senator Walter F. Mondale. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,



[Deputy] Comptroller General
of the United States